

Petro-Reef Resources Ltd. Closes \$6-Million Private-Placement Financing

Calgary, Alberta, January 26, 2007 - Petro-Reef Resources Ltd. (TSX-V: PER) has closed its previously announced private-placement financing, raising gross aggregate proceeds of \$6,050,000.50. The offering, announced on December 19, 2006, was fully subscribed. Petro-Reef plans to use the net proceeds of the offering to fund continued exploration and development of its core area in Alexander, Alberta.

The offering consisted of 5,260,870 units of the Corporation (“Units”) at a price of \$1.15 per Unit. Each Unit consisted of one common share and one-half of the one common share purchase warrants of the Corporation. Each whole common share purchase warrant (“Warrant”) is exercisable to acquire one common share of the Corporation at an exercise price of \$1.75 for a period ending on July 25, 2008. If the closing price of the common shares is higher than \$2.20 for a period of 20 consecutive days at any time after four months and one day after the closing date, the Corporation may accelerate the expiry date of the Warrants by giving notice to the holders. In such case, the Warrants would expire on the 30th day after the date on which notice is given.

Primary Capital Inc. served as the agent for the private-placement offering and received a 7% cash commission out of the gross proceeds and non-transferable broker warrants (“Broker Warrants”) exercisable to acquire 368,260 units of the Corporation (“Broker Units”) at a price of \$1.15 per Broker Unit until July 25, 2008. Each Broker Unit consists of one common share of the Corporation and one-half of one common share purchase warrant. Each whole common share purchase warrant exercisable to acquire one common share of the Corporation at a price of \$1.75 for a period ending on July 25, 2008.

After giving effect to this offering, Petro-Reef has 29,103,661 common shares issued and outstanding.

Petro-Reef Resources Ltd. is a Calgary-based junior oil and gas company focused on petroleum and natural gas lease acquisition and exploration, and development of crude oil and natural gas properties in Alberta, Canada.

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Forward-Looking Statements: All statements, other than statements of historical fact, set forth in this news release, including without limitation, assumptions and statements regarding reservoirs, resources and reserves, future production rates, exploration and development results, financial results, and future plans, operations and objectives of the Corporation are forward-looking statements that involve substantial known and unknown risks and uncertainties. Some of these risks and uncertainties are beyond management’s control, including but not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, environmental risks, industry competition, availability of qualified personnel and management, availability of materials, equipment and third party

services, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this news release.

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